CHAPTER XII

DBAE AND CHEAP MONEY, AND THE EFFECT OF EACH ON THE PEICES OF SBCUEITIES

THE chief fact that determines the clearness or cheapness of any commodity is the relation between the quantity which certain persons require and the quantity supplied by others to meet that demand. If commodities are offered for sale in excess of the quantity which buyers at the time desire to possess, the price falls by reason of the competition between the suppliers, who naturally wish to dispose of their stock (or they would not have brought it to market), and thus bid against each other in the shape of a reduction of price; if people desire to obtain a greater quantity than that which is available at the moment, the price rises in consequence of the competition of the buyers to acquire the stock against each other's biddings.

It may here be noted that when one thing is measured by another thing in exchange—when, for example, so much corn is exchanged for so much iron—the ratio between the two quantities so exchanged for each other is called the *value* of each; so much corn is the value of so much iron, and *vice versa.* But when, instead of expressing the value of one thing in terms of the quantity of another thing which is offered in exchange, we state the quantity of money which would be given, that money is termed (not the value, but) the *price* of that thing.

In considering the question of exchange-value (either in the form of commodities for commodities or commodities for money) we must bear in mind the axiom that there cannot possibly be two values or prices for the same article (and the